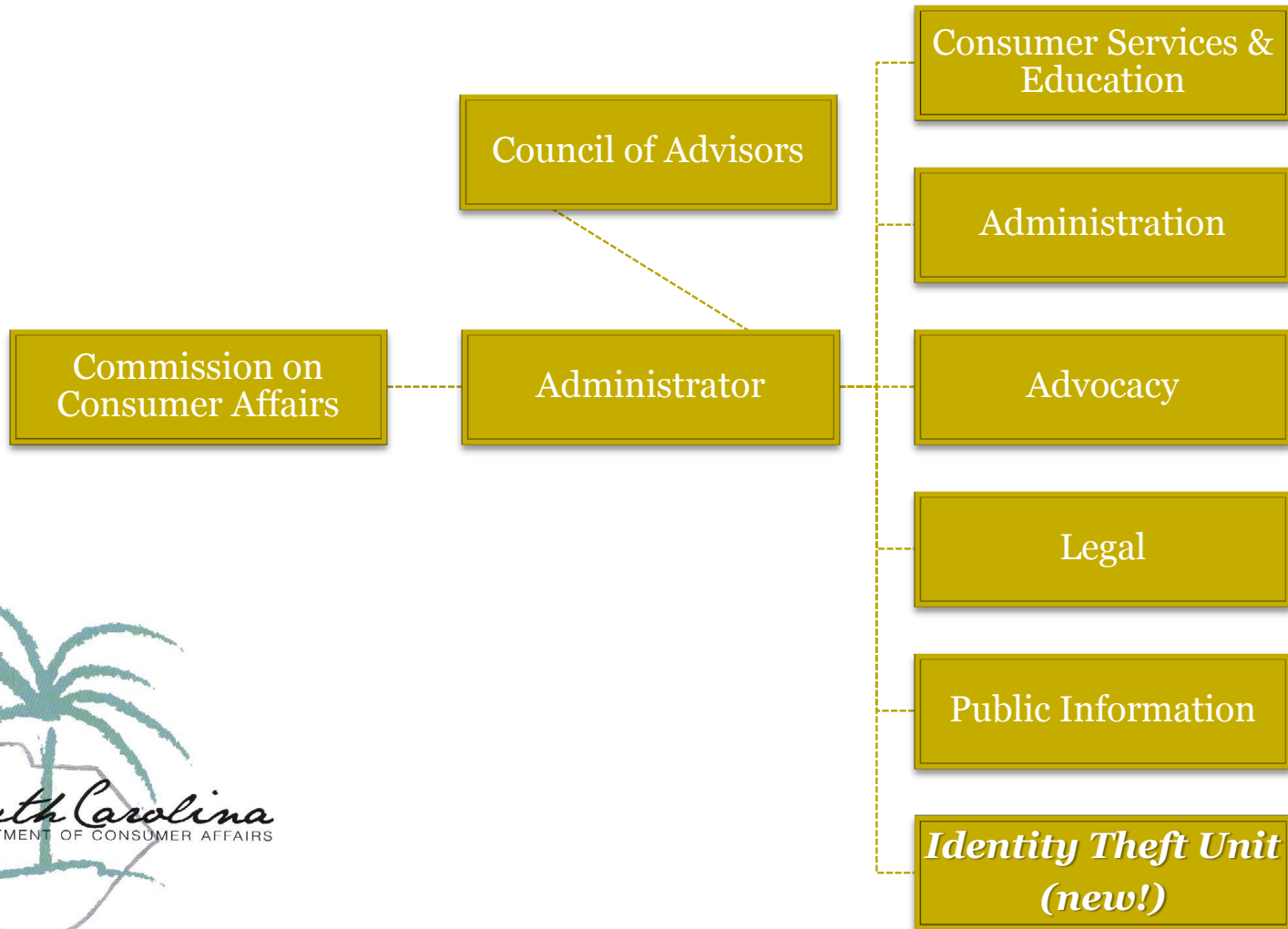


Understanding the Enigma: Credit Reports



CARRI GRUBE LYBARKER
ADMINISTRATOR, SC DEPT. OF
CONSUMER AFFAIRS

SCDCA Organizational Structure



SCDCA Overview cont...



- Created when the Consumer Protection Code was adopted in 1974, becoming effective January 1, 1975. (More to come on this)
- The Department is headed by the Administrator:
 - The Administrator is hired/appointed by the Commission on Consumer Affairs. The Commission is made up of 9 members:
 - ✦ four appointed by the Governor,
 - ✦ four elected by the General Assembly, and
 - ✦ the Secretary of State
 - ✦ (Commission elects its own chair.)
 - The Administrator also has a Council of Advisors from most areas of the creditor community to advise him on credit issues.
 - ✦ The members of the Council are appointed by the Governor, and
 - ✦ the Governor appoints the chair of the Council

SCDCA Overview cont...



- **Consumer Services Division**
 - The Consumer Services Division takes and attempts to resolve consumer complaints against businesses, with due regard for the rights of the business.
 - The Services Division receives approximately 450 – 500 written complaints each month and approximately 8 times that many phone calls.
 - The Division has consistently resolved about 85% of the complaints in a satisfactory manner.

SCDCA Overview cont...



- **Administrative Division**

- provides support for the other Divisions including personnel, accounting, data processing and purchasing
- Processes regulatory filings for:
 - ✦ Maximum Rate—creditors charging in excess of 18%
 - ✦ Credit Grantor Notification—creditors grossing over \$150,000 annual
 - ✦ Motor Vehicle Dealer Closing Costs— Dealers charging a doc fee

SCDCA Overview cont...



- **Consumer Advocacy Division**

- Represents the public at large in intervening in insurance rate cases/ filings. Includes workers' compensation, auto, home, etc.
- Administers & enforces the following regulatory programs:
 - ✦ Continuing Care Retirement Communities
 - ✦ Discount Medical Plan Organizations
 - ✦ Professional Employer Organizations

SCDCA Overview cont...



- Legal Division

- The Legal Division helps the Administrator to administer and enforce the Consumer Protection Code and various other laws that have been assigned to the Department for Regulation.
 - ✦ Among the industries directly regulated by the Department are:
 - Pawnbrokers Automobile Clubs
 - Mortgage Loan Brokers Athletic Agents
 - Physical Fitness Services Prepaid Legal Services
 - Rent-to-Own Businesses Credit Counseling
 - ✦ Can investigate and bring enforcement actions, both administratively and in court, for violations of the Consumer Protection Code and these various other laws.
 - ✦ 3 of Department's 4 investigators are commissioned law enforcement officers.

SCDCA Overview cont...



- **Public Information Division**
 - Serves as the main consumer education portal for consumers, business and media.
 - Launched SCDCA-TV on YouTube and uses Twitter
 - Staff also makes presentations and sponsors webinars on ID Theft, debt collection, foreclosures, credit and other popular topics
 - The Division also answers hundreds of calls per month pertaining to consumer scams and laws and disseminates press releases and consumer education brochures.

SCDCA Identity Theft Unit



Timeline:

- 4 Staff members (budget)
- End of June '13– Director position advertised
 - July 17, 2013 – Director start date
- First week of August = Interviews for staff
 - 1 Program Coordinator
 - 2 Program Assistants
- September 3rd = Staff start date
- ***Launch date = October 1, 2013!***

SCDCA Identity Theft Unit



Education

Provide education and outreach to SC consumers across the state; increase awareness and knowledge about identity theft & the steps to protect against id theft; and what to do if a victim.

Guidance

Provide ongoing guidance to SC id theft victims throughout the process of resolving their particular identity theft situation and mitigating negative effects.

Enforcement

Handle administration and enforcement of SC's *FIFITPA* and other identity theft-related consumer protection laws, including receipt of security breach notifications and ensuring reporting and notification requirements are met.

Credit Reports



- *Background*
- *Federal Law*
 - *Fair Credit Reporting Act (“FCRA”)*
- *State Law*
 - *Financial Identity Fraud and Identity Theft Protection Act (“FIFITPA”)*
- *Reports*
- *Supervisory Highlights*

A screenshot of a credit report interface. The interface is divided into several sections. On the left, there is a navigation menu with various categories like 'Personal Information', 'Credit History', etc. The main area displays a table with columns for 'Type of Account', 'Number of Accounts', and 'Total Balance of Accounts'. The table lists various accounts such as 'Credit Card', 'Auto Loan', 'Mortgage', etc., along with their respective balances and statuses. The interface has a blue and white color scheme with a sidebar on the left.

Credit Reports Background



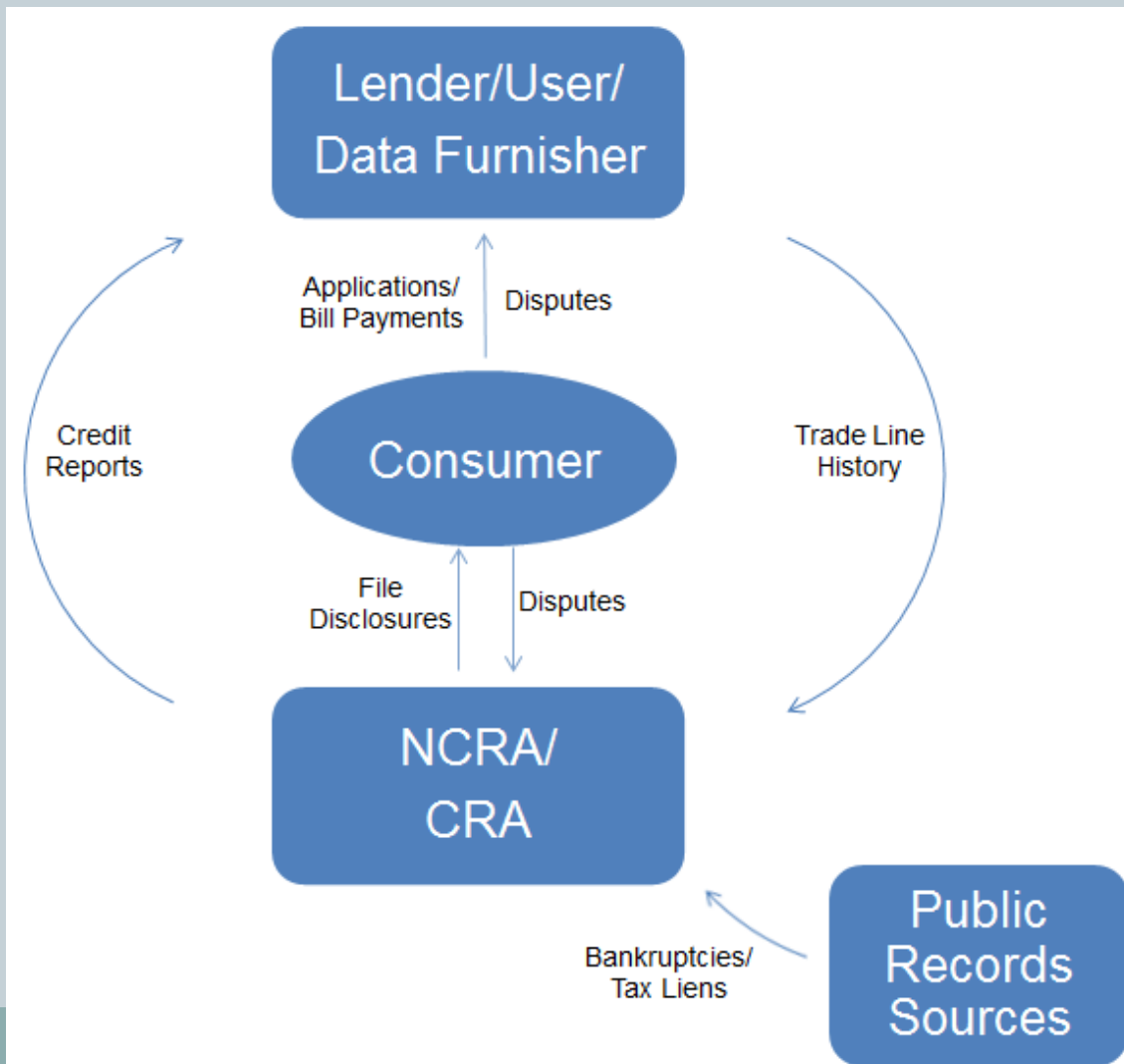
- Three major credit reporting agencies (CRA's)
 - ✦ Different Information
- CRAs:
 - ✦ maintain information for approximately 220 million consumers
 - ✦ Receive information from 30,000 data furnishers
- Study: Approx. 80% of credit reports have misinformation (*more on this later*)

EQUIFAX



experian

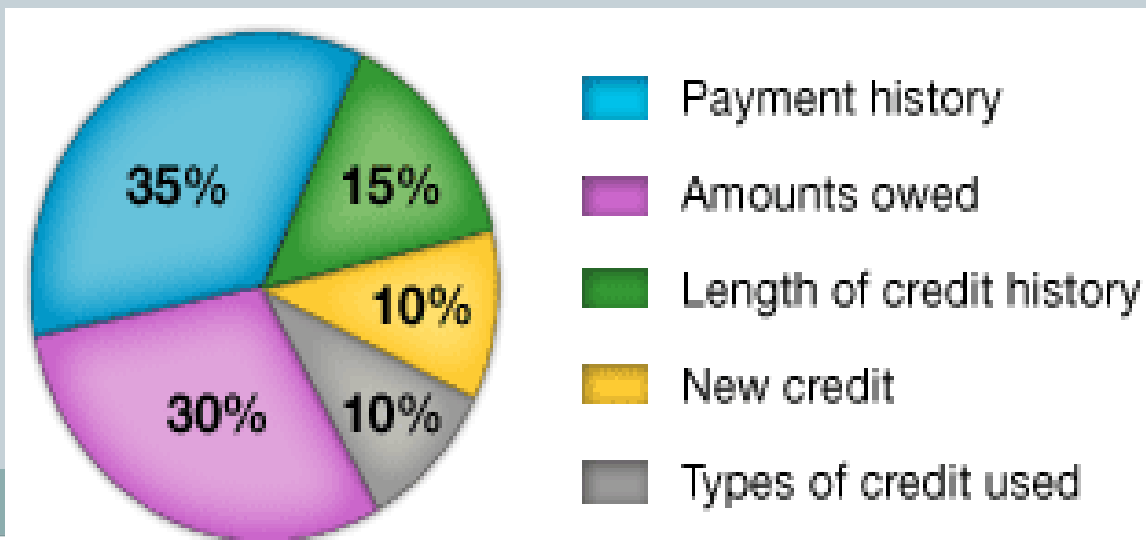
Credit Reports Background cont...



Credit Reports Background cont...



- Top credit scores used: FICO & Vantage
 - FICO scores range between 300 and 850 points
 - Vantage range is 501-990
 - FICO used in 90% of credit granting
 - Scores made up of:



Credit Reports Background cont...



Financial Data	Score Impact Range			
	Consumer with 900 Vantage Score	Consumer with 760 Vantage Score	Consumer with 780 FICO Score	Consumer with 680 FICO Score
Bank card – 30 days delinquent	70-90 point drop	60-80 point drop	90-110 point drop	60-80 point drop
Mortgage charge-off or foreclosure	130-170 point drop	80-110 point drop	140-160 point drop	95-115 point drop
Filing bankruptcy	350+ point drop	200+ point drop	220-240 point drop	130-150 point drop

Credit Reports Background cont...



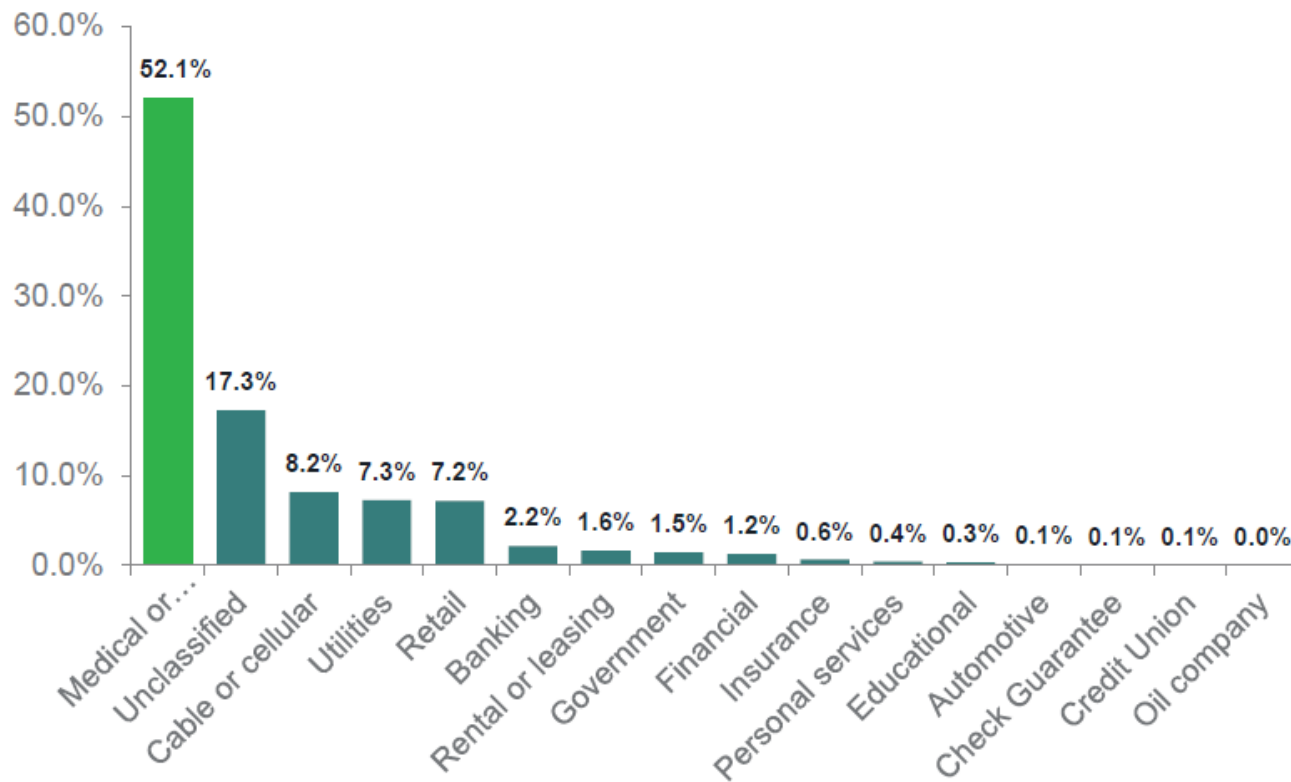
- 31.6% of consumers have a collections tradeline on their report

Collections tradeline type	Percentage of consumer credit reports containing one or more collections tradelines originating from...
Medical or health care	19.4%
Cable, cellular, wireless, other telecommunications	8.7%
Utilities or energy	7.6%
Retail collections	6.9%
Banking	2.7%
Financial	1.5%

Credit Reports Background cont...



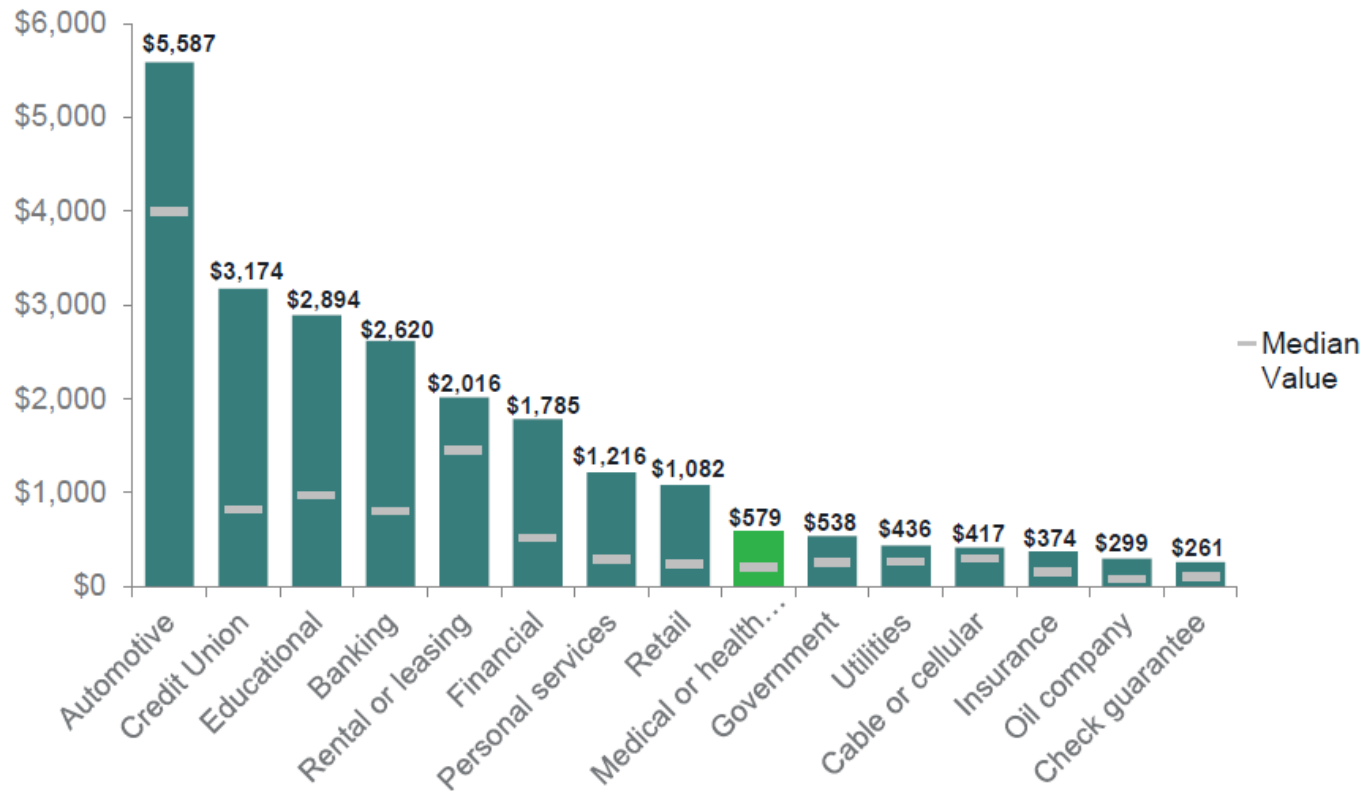
FIGURE 1: COMPOSITION OF COLLECTIONS TRADELINES ON CREDIT REPORTS BY TYPE OF CREDITOR



Credit Reports Background cont...



FIGURE 2: AVERAGE AND MEDIAN AMOUNTS OF COLLECTIONS BY CREDITOR TYPE



Credit Reports Background cont...:

CFPB Consumer Complaints



By Rule, CFPB supervises companies with annual receipts from “consumer reporting,” of over \$7 million.



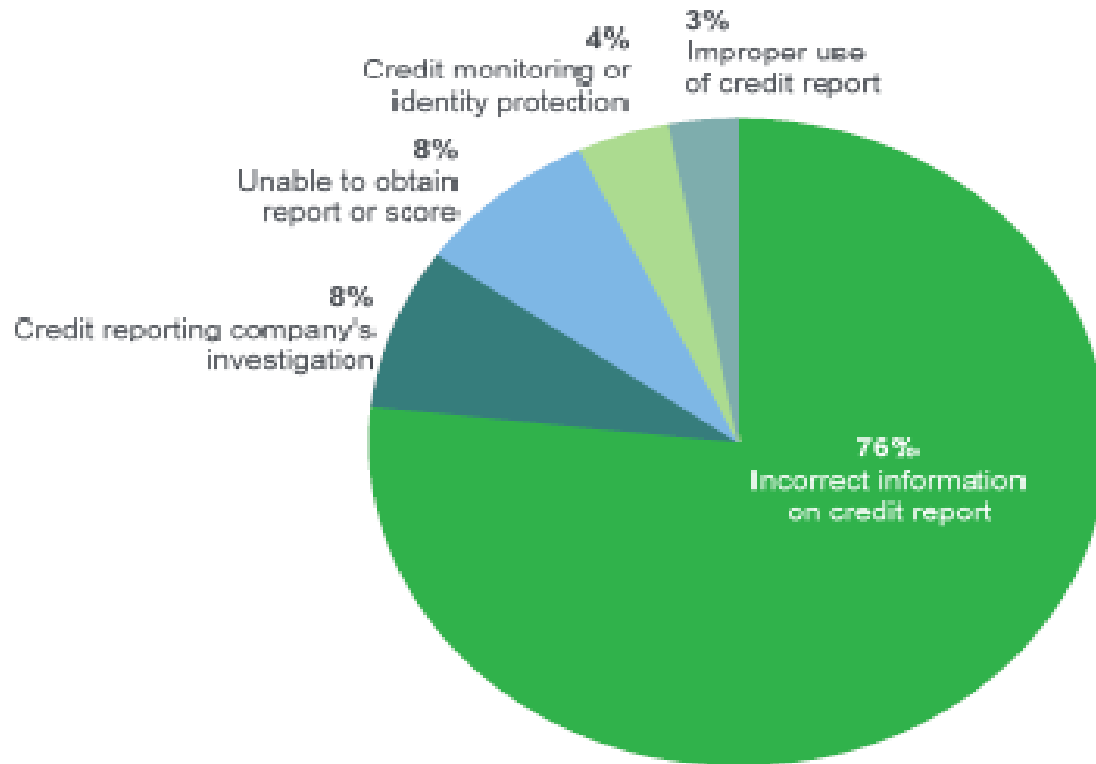
○ SUBMIT VIA:

- ✦ <http://www.consumerfinance.gov/complaint/>
- ✦ (855) 411-CFPB (2372) / Español (855) 411-CFPB (2372)
(8 a.m.–8 p.m. Eastern, Monday–Friday)

Credit Reports Background cont...:



- 40,600 credit report complaints



Credit Reports Background cont...:



TABLE 3: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY CONSUMERS

Types of Credit Reporting Complaints	%
Incorrect information on credit report (Information is not mine, Account terms, Account status, Personal information, Public record, Reinserted previously deleted information)	76%
Credit reporting company's investigation (Investigation took too long, Did not get proper notice of investigation status or results, Did not receive adequate help over the phone, Problem with statement of dispute)	8%
Unable to get my credit report or credit score (Problem getting free annual report, Problem getting report or credit score)	8%
Credit monitoring or identity protection services (Problem cancelling or closing account, Billing dispute, Receiving unwanted marketing or advertising, Account or product terms and changes, Problem with fraud alerts)	4%
Improper use of my credit report (Report improperly shared by credit reporting company, Received marketing offers after opting out, Report provided to employer without written authorization)	3%
Total credit reporting complaints	100%

UP NEXT: LAWS

Federal & State Requirements



- *Fair Credit Reporting Act “FCRA”*

- Background
- Consumer Protection Provisions
- Rules
 - ✦ Disposal Rule
 - ✦ Red Flags Rule



- *Financial Identity Fraud and Identity Theft Protection Act (“FIFITPA”)*

Fair Credit Reporting Act (FCRA)



- History

- Original Eff. Date= 1971

- ✦ Amended at least 6 times since

- Most recent major~

- ✦ Fair and Accurate Credit Transactions Act of 2003 (FACTA)

- Purpose

- Promote accuracy & fairness in credit reporting arena

- ✦ Places requirements on:

- credit reporting agencies

- Furnishers of information

- ✦ Provides consumer protections

FCRA cont...



- Definitions: 15 U.S.C. § 1681a
 - *Consumer report:*
 - ✦ Any communication of information by a credit reporting agency
 - ✦ Contains info on a consumer's
 - *Credit worthiness*
 - *Credit standing*
 - *Character*
 - *General reputation*
 - *etc*
 - ✦ Info is used or collected as a factor in deciding if a consumer is eligible for:
 - *Credit, insurance, employment, etc*

FCRA cont...



- Definitions cont...: 15 U.S.C. § 1681a
 - *Consumer reporting agency:*
 - ✦ Person
 - ✦ Regularly engages in:
 - *assembling or evaluating consumer information, including credit information*
 - ✦ For purpose of distributing *consumer reports* to 3rd parties
 - ✦ Uses interstate commerce in preparation or distribution

FCRA cont...



- FCRA – What is it?
 - Addresses accuracy and fairness in credit reporting (talk about later)
 - Identity Theft Protections
 - ✦ Fraud Alerts
 - ✦ ID Theft Accounts on Credit Report
 - ✦ ID Theft Prevention (Disposal Rule)
 - ✦ Blocking of Information on Credit Report
 - Provides for free annual credit report

FCRA cont...



- ID Theft Protections cont...:
 - Block ID Theft Info- 15 U.S.C. § 1681c-2
 - ✦ Result of ID Theft
 - ✦ Consumer provides:
 - Proof of id
 - Copy of id theft report
 - Id information
 - Statement that consumer didn't enter into the
 - ✦ CRA to notify furnisher of block

A screenshot of a credit report from a credit bureau. The report shows a list of accounts on the left and a detailed view of a specific account on the right. The detailed view shows a table with columns for 'Type of Account', 'Number of Accounts', and 'Amount of Credit'. The table lists several accounts, including a credit card and a loan, with their respective balances and credit limits. The report also includes a section for 'Credit History' and a 'Summary' section at the bottom.

Type of Account	Number of Accounts	Amount of Credit
Credit Card	1	\$10,000
Auto Loan	1	\$10,000
Mortgage	1	\$10,000
Student Loan	1	\$10,000
Personal Loan	1	\$10,000
Business Loan	1	\$10,000
Other	1	\$10,000

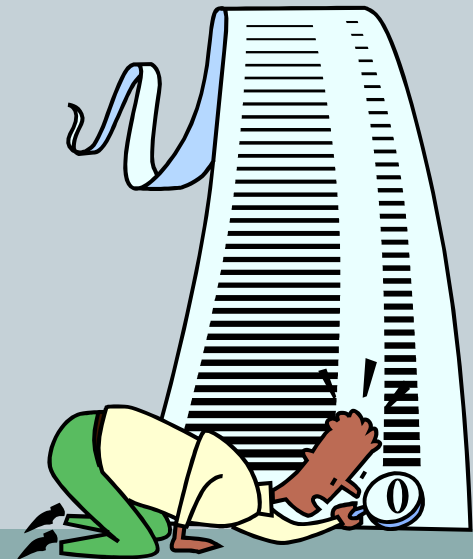
FCRA cont...



- ID Theft Protections cont...:

- *Creditor Responsibilities- 15 U.S.C. § 1681g*

- ✦ Creditor must provide information regarding transactions victim of ID theft claims are related to ID Theft w/in 30 days of consumer request (FREE OF CHARGE)
- ✦ Consumer request=:
 - In writing;
 - Send proof of id;
 - Proof of id theft;
 - Date of transaction, if known;
 - Account number;



FCRA cont...



- **Disposal Rule**

- Requires proper disposal of sensitive information derived from consumer reports.

- ✦ **Who?**

- Any person who uses a consumer report for business purposes, ie: lenders, insurers, employers, landlords, mortgage brokers and debt collectors.

- ✦ **How?**

- Burn, pulverize, shred
- Destroy or erase electronic data
- Due diligence in selecting and monitoring contractor



FCRA cont...



○ Red Flags Rule (FCRA/FACTA)

- ✦ Requires financial institutions and creditors* to develop a written program that identifies and detects relevant warning signs (“**Red Flags**”) of Identity Theft.
- ✦ **Program must include** policies and procedures that enable a financial institution or creditor to:
 - Identify relevant patterns, practices, and specific forms of activity that are “red flags” signaling possible id theft;
 - Detect red flags that have been incorporated into the Program;
 - Respond appropriately to any red flags; and
 - Ensure the Program is updated periodically to reflect changes in risks from id theft.

Examples



- Alerts or warnings from a consumer reporting agency.
- Suspicious documents.
- Suspicious personal identifying information.
- Unusual use of or activity in a covered account.
- Notices from customers, IDT victims, law enforcement or other businesses.

FCRA cont...



- Right to Dispute

- *Consumer Can Dispute:*

- ✦ Inaccurate, incomplete or untimely items
- ✦ To credit reporting agency “CRA” and/or
- ✦ Furnisher (Creditor)

- *Requirements:*

- ✦ CRA - Notify furnisher within 5 days
- ✦ CRA & Furnisher - Investigate (unless frivolous)
- ✦ CRA & Furnisher - Note File= in dispute
- ✦ If no resolution in 30 days, CRA must remove info

- *Resolution*

- ✦ Notify consumer within 5 days
- ✦ 100 word dispute



FCRA cont...

- Right to Dispute- How?

- Get free credit report—www.annualcreditreport.com

- Letters

- ✦ To Whom?

- To Credit Reporting Agency AND
 - Information Provider= Creditor

- ✦ What Should Be Included?

- what information is wrong
 - why it is wrong
 - ask that it should be removed
 - send copies of any papers you have that support your position.



Make copies of the letter and supporting papers for yourself & send certified mail “return receipt requested”.

FCRA cont...



- How long is too long?
 - *Credit Reports: Time Periods & Disputes*
 - ✦ *Bankruptcy*
 - 10 years
 - ✦ *Civil Lawsuit or Judgment*
 - 7 years or statute of limitations (whichever is longer)
 - ✦ *Paid Tax Lien*
 - 7 years



FCRA cont...



- Cont...

- *Accounts Placed in Collection OR Charged Off*

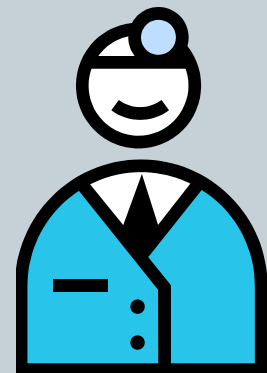
- ✦ 7 years (clock begins 180 days after delinquency)
 - Total time: 7 ½ years

- *Other Adverse Info*

- ✦ 7 years

- Medical Furnisher Information

- ✦ Limited “trade line”



FIFITPA: Legislative Background



- **Bills ~ Comprehensive Result =**

S. 453, Act 190-2008

- *Amends several different Code Sections*

www.consumer.sc.gov



- **Effective Dates**

- *December 31, 2008 & July 1, 2009 (Security Breach Portion)*

- **2013 Amendments: H. 3248 & Proviso 117.136**

- *Definitions & Security Breach Portion*

FIFITPA cont...



Eff. December 31, 2008:

- Consumer Identity Theft Protection § 37-20-110, *et seq.*
- Personal Identifying Information Privacy Protection §30-2-300, *et seq.*
- Crime of Dumpster Diving § 16- 11 -725
- Credit/Debit Card Receipts § 16-13-512
- Crime of Financial Identity Fraud § 16-13-510

FIFITPA: Records Disposal



- **General Records Disposal- sec. 37-20-190**

- When a business discards records that contain *personal information* of an individual, the business must ensure that the information is

- ✦ shredding,
- ✦ erasing, or
- ✦ other means,
 - the personal information is rendered unreadable or undecipherable



Records Disposal cont...



○ Hiring a 3rd Party

- ✦ (D) A public body is considered to comply with subsection (C) if it contracts with a person engaged in the business of disposing of records for the modification of personal identifying information on behalf of the body in accordance with subsection (C).
 - ***Get a certificate of destruction***

○ Petition for Compliance: Section 30-2-340

- ✦ Any affected individual may petition the court for an order directing compliance with this section.
- ✦ Liability may not accrue to a register of deeds or clerk or his agents for claims or damages that arise from a person's name, number or other identifying information on the



FIFITPA cont...



- Mirrors *Fair Credit Reporting Act*
 - When inaccurate info on credit report:
 - ✦ Write CRA
 - What is wrong in filed
 - Recommend certified mail
 - ✦ CRA must confirm or deny inaccuracy within 30 days.



FIFITPA cont...



- Credit Report Disputes cont...

- **If CRA DENIES inaccuracy MUST:**

- ✦ Give basis;
- ✦ Send copy of file, including which creditors were contacts;
- ✦ Give evidence that info is accurate

- **If CRA ADMITS inaccuracy MUST:**

- ✦ Contact creditors/requestors from the last six months

FIFITPA cont...

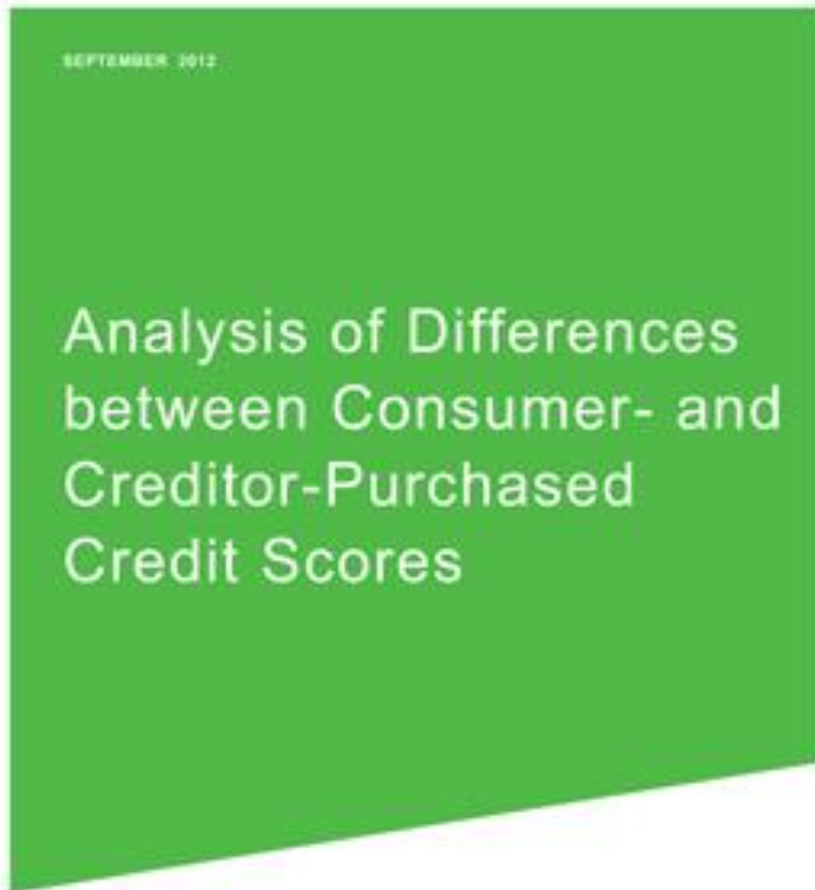


- Credit Report Disputes cont...
 - Private Cause of Action
 - Department of Consumer Affairs to Enforce
 - ✦ Complaints
 - 1-800-922-1594
 - www.scconsumer.gov “Complaint Services”
 - ✦ Pattern or Practice



UP NEXT: REPORTS

Reports



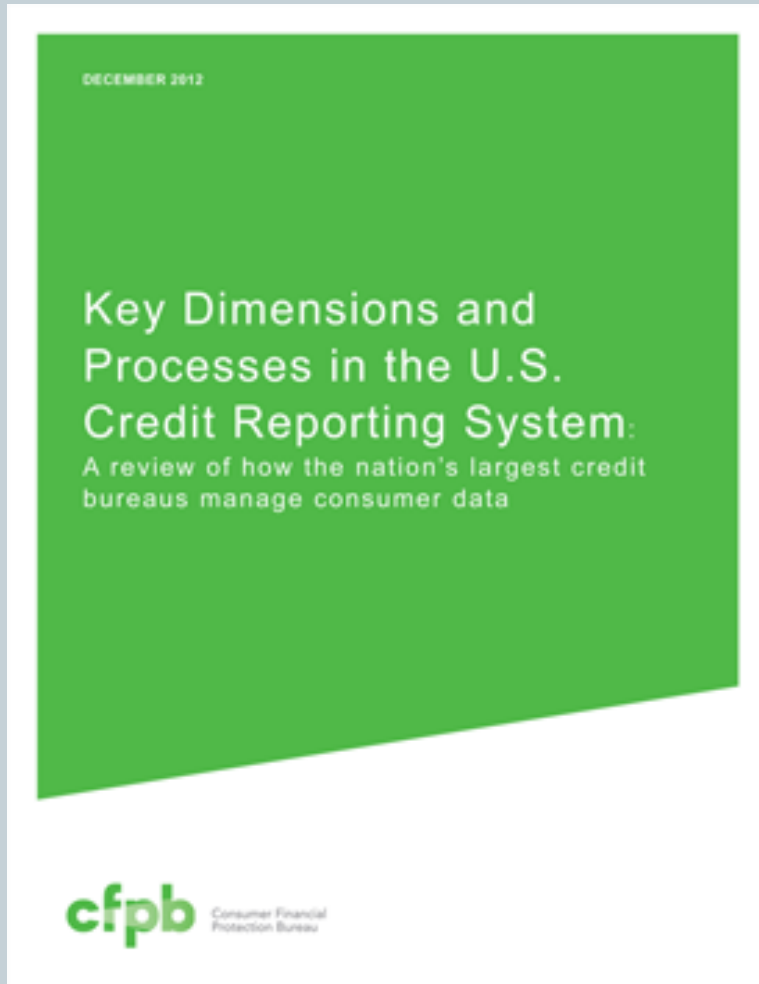
- Released 10/9/12
- Compare credit scores sold to creditors and those sold to consumers by nationwide CRAs
 - GOAL: determine whether differences between those scores disadvantage consumers.
 - CFPB analyzed credit scores from 200,000 credit files from each of the three major nationwide CRAs:
 - ✦ TransUnion,
 - ✦ Equifax, and
 - ✦ Experian.

Reports cont...



- **The study yielded the following results:**
 - For a majority of consumers the scores produced by different scoring models provided similar information about the relative creditworthiness of the consumers.
 - Correlations across the results of scoring models were high, generally over .90 (out of a possible one).
 - *Correlations were stronger among the models for consumers with scores below the median than for consumers with scores above the median.*
- *Scoring Models:*
 - ✦ Found that different scoring models would place consumers in the same credit-quality category **73-80%** of the time.
 - ✦ Different scoring models would place consumers in credit-quality categories that are off by one category **19-24%** of the time.
 - ✦ **1% to 3%** of consumers would be placed in categories that were two or more categories apart.

Reports cont...



- Released 12/13/12
- Companion to FTC report

Reports cont...



- **Key Findings:**

- The NCRAs each maintain credit files on over **200,000,000 adults** and receive information from approximately **10,000 furnishers of data**.
- The **10 largest institutions** furnishing credit information to each of the NCRAs account **for more than half** of all accounts reflected in consumers' credit files. Retail and network-branded revolving credit cards account for nearly 60% of all trade lines

Reports cont...



- The CFPB estimates that at least **40,000,000 consumers** obtain a copy of their credit file from one or more of the NCRAs annually.
- NCRAs received approximately **8 million** contacts from consumers in 2011 to initiate disputes about the accuracy of one or more items on their credit files = **32 – 38 million disputed items** on consumers' credit files.
- *Collections items* are a major source of disputes.

Reports cont...



Report to Congress
Under Section 319 of the
Fair and Accurate Credit
Transactions Act of 2003

December 2012

Federal Trade Commission

Jon Leibowitz, Chairman
J. Thomas Rosch, Commissioner
Edith Ramirez, Commissioner
Julie Brill, Commissioner
Maureen Ohlhausen, Commissioner

- **26%** of the 1,001 participants in the study identified at least one potentially **material error** on at least one of their three credit reports.
 - *defined as a disputed error that is modified by the CRA*
- **21% of the participants** had a modification to a least one of their credit reports after the dispute process, only 129 consumers (13% of participants) experienced a change in their credit score as a result of these modifications.
 - Of the 129 consumers with any score change, the maximum changes in score for over half of the consumers ***were less than 20 points.***
 - For 5.2% of the consumers, the resulting increase in score was such that their credit risk tier decreased and thus the consumer may be more likely to be offered a lower auto loan interest rate.

Reports cont...



**Report to Congress
Under Section 319 of the
Fair and Accurate Credit
Transactions Act of 2003**



January 2015

Reports cont...



- FTC follow-up to 2012 Credit Report Accuracy Study
- Followed participants thru one round of the dispute process
- Looked at reinsertion of negative information, unresolved disputes and items consumer claimed were not theirs

Reports cont...



- *Unresolved Items: Notification by CRA*

Table 3: “Did the CRA Communicate the Reason for Not Modifying the Item?”

	Overall	CRA1	CRA2	CRA3
Reasoning Provided	29 (52%)	15 (47%)	22 (51%)	24 (59%)
No Reasoning Provided	27 (48%)	17 (53%)	21 (49%)	17 (41%)
Number of Consumers who Received Notification	56	32	43	41

Reports cont...



- Unresolved Items- Consumer Acceptance*

Table 4: Consumer Acceptance of Changes Not Made by CRA

	Overall	CRA1	CRA2	CRA3
Consumer Accepts that Unresolved Items are Not Errors	37 (31%)	19 (26%)	23 (29%)	27 (31%)
Consumer Does Not Accept that Unresolved Items are Not Errors	84 (69%)	53 (74%)	57 (71%)	60 (69%)
Total # consumers	121	72	80	87

Note: The percentages are provided for each CRA individually (i.e., 26% of the consumers who disputed an item at CRA1 accept that their requested change was not made by CRA1). Consumers may have disputed at multiple CRAs.

Reports cont...



- Unresolved Items: Continue to Dispute*

Table 5: Consumers who Intend to Continue to Dispute Inaccurate Information

	Overall	CRA1	CRA2	CRA3
Consumers who Have Continued or Intend to Continue to Dispute	38 (45%)	24 (45%)	25 (45%)	25 (43%)
Consumers who Do Not Plan to Dispute (But Believe Item is Still Inaccurate)	42 (50%)	26 (49%)	30 (54%)	31 (53%)
Consumers Still Undecided	4 (5%)	3 (6%)	1 (2%)	2 (3%)
Total # consumers Who Believe Item is Still Inaccurate	84	53	56	58

Note: The percentages are provided for each CRA individually (i.e., 33% of the consumers who disputed an item at CRA1 have or will continue to dispute). Consumers may have disputed at multiple CRAs.

Reports cont...



- *Unresolved Items: Believe Inaccurate but...*

Table 6: Reasons Provided for Not Continuing to Dispute Inaccurate Information

Not Important/Not Interested	40%
No Time	23%
Little Hope for Change	10%
Too Much Effort	9%
Not Hurting Score	9%
Not Looking for Credit	8%
May Be Correct	3%

Note: There are a total of 93 disputes at CRAs where the consumer still feels the information is inaccurate but has chosen not to continue to dispute.

Reports cont...



December 2014

Consumer credit reports: A study of medical and non-medical collections

cfpb Consumer Financial
Protection Bureau

Reports cont...

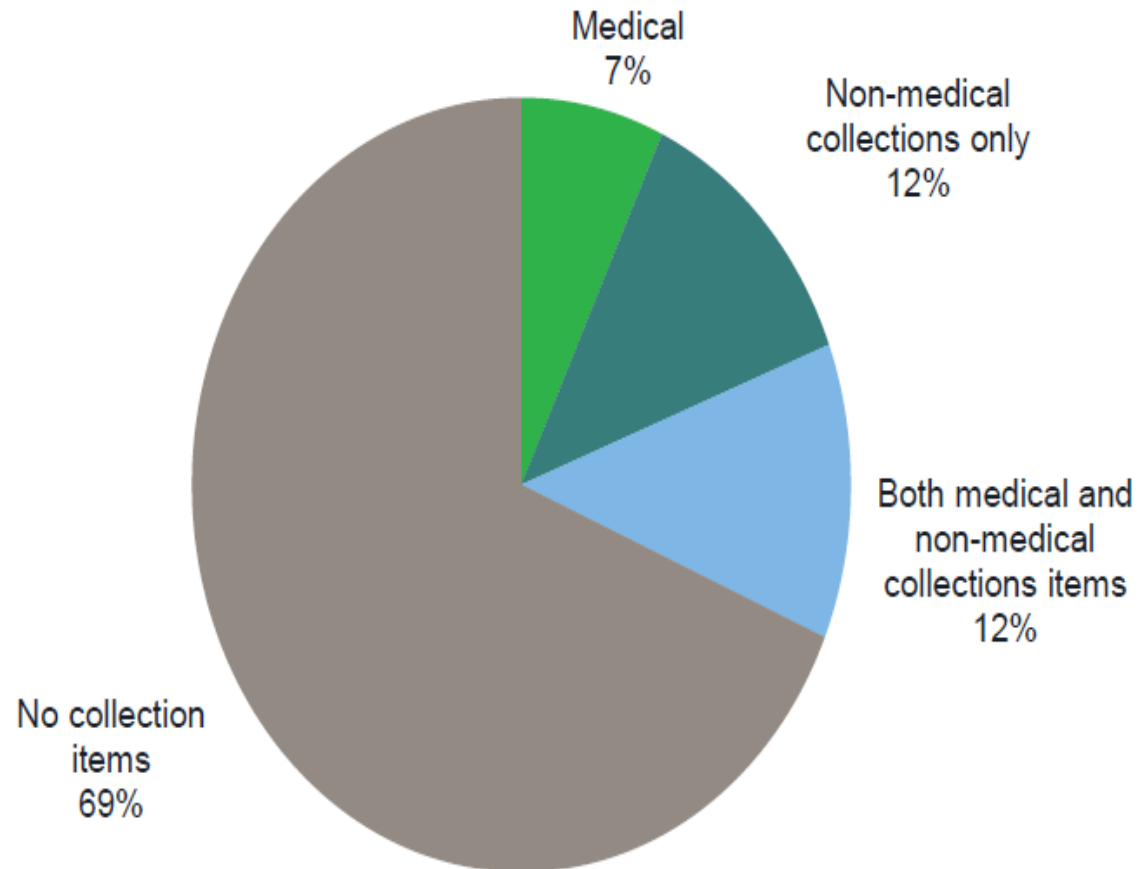


- Findings:
 - 67.5% of collections tradelines originate from healthcare, utility or telecommunications providers.
 - Medical collection tradelines account for 52.1% of all collections tradelines
 - Medical debt different from other types of debt:
 - ✦ Lack of price transparency
 - ✦ Complex system of insurance coverage & cost sharing

Reports cont...



FIGURE 11: CONSUMER RECORDS WITH COLLECTIONS TRADELINES BY TYPE



Reports cont...

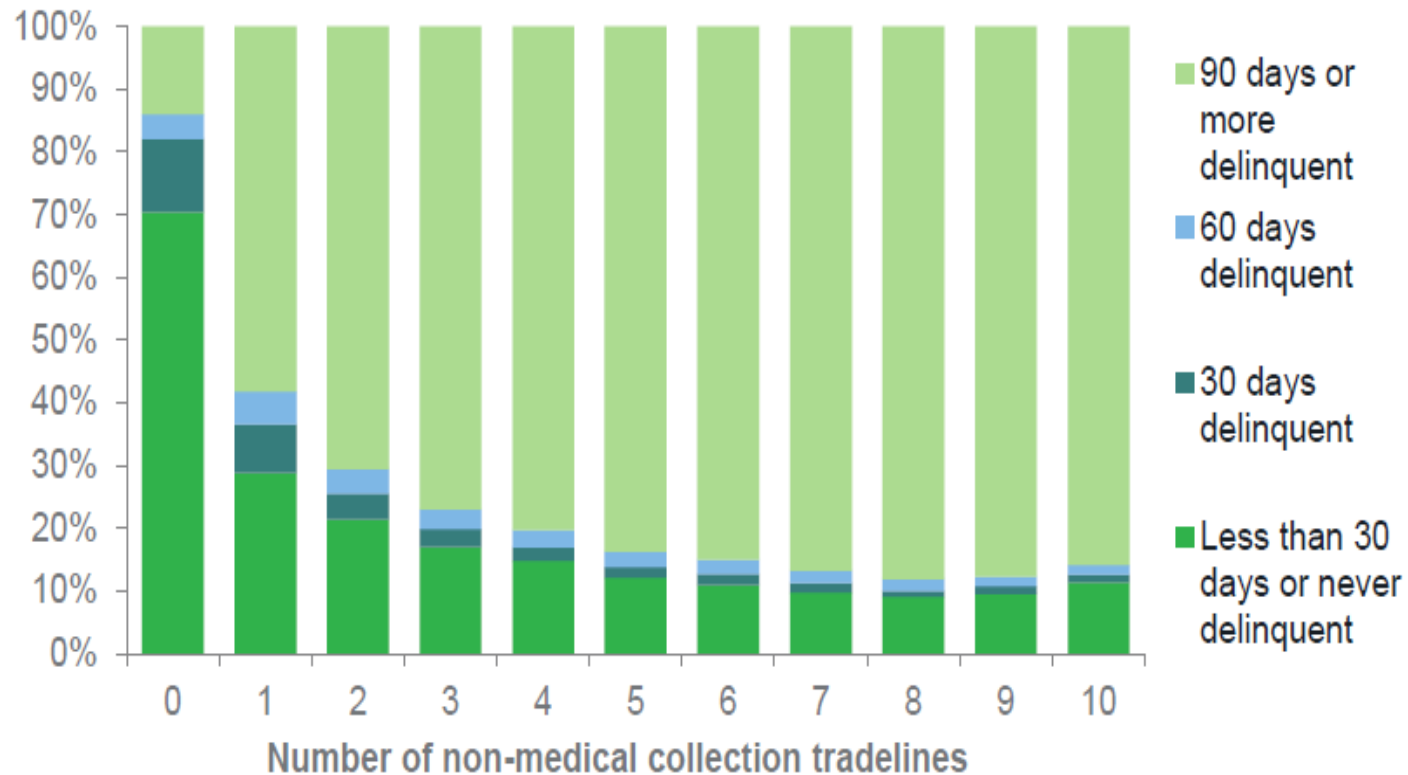


- Findings cont...
 - 22% of consumers with collection tradelines only have medical collections tradelines
 - 50% of these consumers have no other indication of serious past delinquencies
 - ✦ *These consumers:*
 - Owe less
 - Have more available credit
 - Are more reliable payers than consumer with non-medical collections tradelines or consumers with both types of collections tradelines

Reports cont...



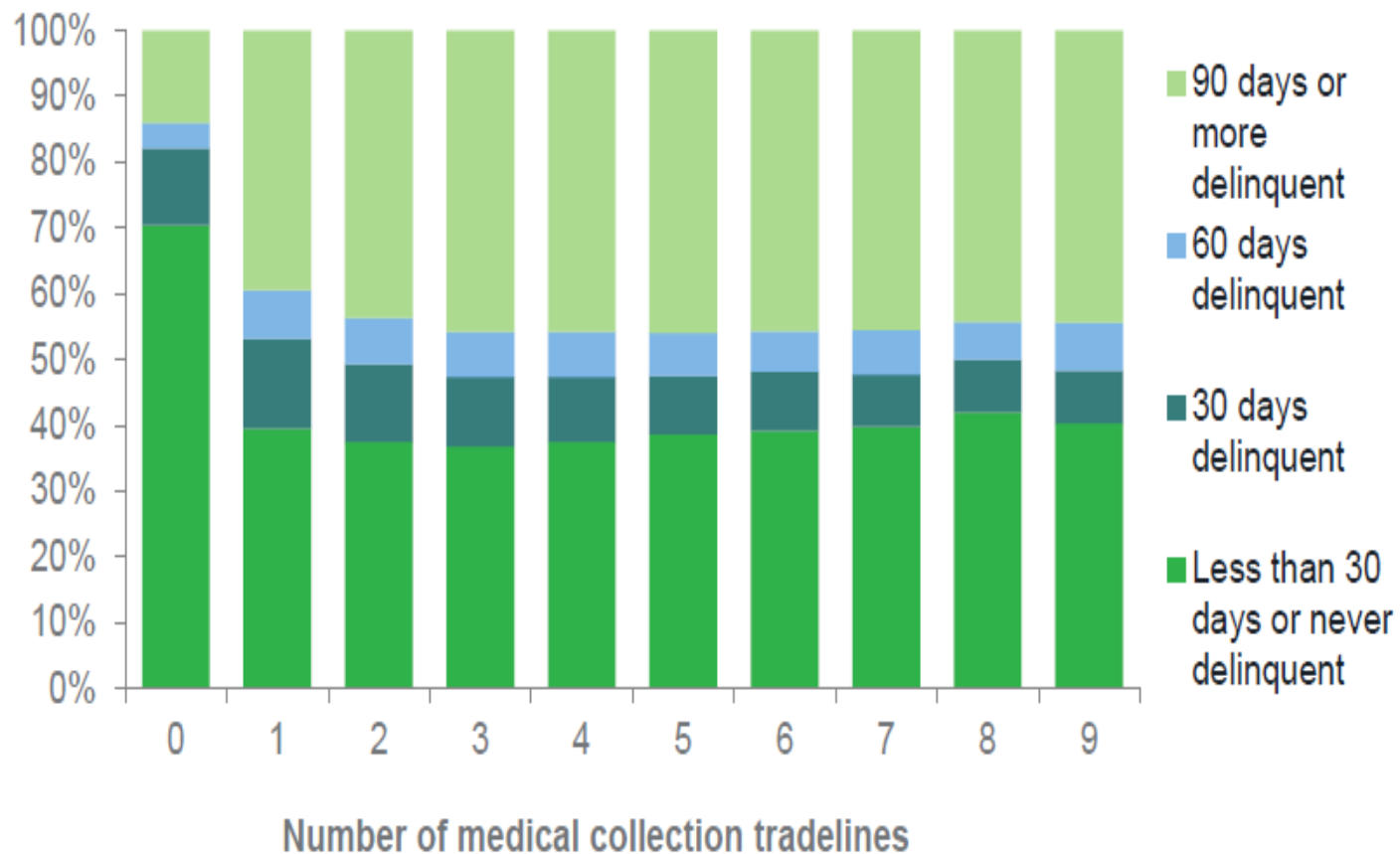
FIGURE 12: INCIDENCE OF WORST NON COLLECTIONS DELINQUENCY APPEARING ON CREDIT RECORDS OF CONSUMERS WITH ONLY NON-MEDICAL COLLECTIONS TRADELINES (PERCENT OF RECORDS)



Reports cont...



FIGURE 13: WORST NON-COLLECTIONS DELINQUENCY APPEARING ON CREDIT RECORDS OF CONSUMERS WITH ONLY MEDICAL COLLECTIONS TRADELINES (PERCENT OF RECORDS)



Reports cont...



- **Results:**

- Paid or unpaid collection items reduces a FICO 8 score of 680 by 40 points and 780 by 100 points

- **Report Conclusion:**

- Medical collections tradelines are less predictive of future delinquency on payments than non-medical collections
- Two new scoring models treat medical debt differently:
 - ✦ FICO 9 (FICO 8 omits consideration of collections tradelines below \$100)
 - ✦ Vantage 3.0

Report Links



- http://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf
- <http://www.ftc.gov/os/2013/02/130211factareport.pdf>
- http://files.consumerfinance.gov/f/201502_cfpb_report_consumer-voices-on-credit-reports-and-scores.pdf
- http://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf
- <http://www.consumerfinance.gov/reports/report-on-the-use-of-remittance-histories-in-credit-scoring/>
- http://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf
- <http://www.ftc.gov/system/files/documents/reports/section-319-fair-accurate-credit-transactions-act-2003-sixth-interim-final-report-federal-trade/150121factareport.pdf>

UP NEXT: SUPERVISORY HIGHLIGHTS

CFPB Supervisory Highlights



Supervisory Highlights

Supervisory Highlights cont...



- **Notice:** CRAs failed to comply with Section 611(a)(6), which specifies the information that must be included in the written notice following the completion of a reinvestigation.
 - For example, CRAs failed to provide disputing consumers with:
 - ✦ (i) a statement that the reinvestigation was complete;
 - ✦ (ii) a notice that, if requested by the consumer, it would describe the procedure it used to conduct the investigation;
 - ✦ (iii) a notice that the consumer could add a statement of dispute to his or her file; and
 - ✦ (iv) a notice that the consumer could request the CRA to notify certain third parties of any deletions it made (or, if applicable, the statement of dispute).

Supervisory Highlights cont...



- ***Dispute handling***

- Specialty CRA was inconsistent with regard to handling disputes received by telephone:
 - ✦ inconsistent information regarding the ability of consumers to lodge disputes by telephone
 - *created compliance risks and potentially discouraged consumers from completing the dispute process.*

- ***Consumer complaint program:***

- Specialty CRA maintained a weak general consumer complaint program
 - ✦ lacked a formal definition for direct consumer complaints,
 - ✦ did not provide training on how to handle such complaints, and
 - ✦ inconsistently tracked such complaints
- Nationwide CRA procedures failed to address consumer complaints

Supervisory Highlights cont...



Supervisory Highlights

Supervisory Highlights cont...



- CFPB initially focused solely on CRA **Complaint Management Systems (CMS)** and found:
 - some CRAs had either no formal CMS or inadequate CMS
 - board of directors and senior management at some CRAs exercised insufficient oversight of the entity's CMS
 - one of the CRAs lacked a chief compliance officer (CCO) or an official with comparable responsibility for company-wide compliance oversight
 - At one of the CRAs that did employ a CCO, examiners found little evidence that the CCO reported on compliance risks, issues, and resolutions to the board of directors or any of its committees
 - one or more CRAs refused to accept disputes filed online or by telephone if the consumer had not recently received a consumer report or file disclosure from the CRA



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SOUTH CAROLINA
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Welcome

The South Carolina Department of Consumer Affairs ("DCA"/ "Department") is the state's consumer protection agency. Established in 1974, DCA has more than thirty-five years of experience in protecting South Carolina consumers while recognizing those businesses that act honestly and fairly.

The Department accomplishes its mission by: 1.) acting as an effective regulator, 2.) providing complaint mediation services that are unmatched at both state and federal levels, 3.) saving millions for both consumers and small businesses through insurance rate filing intervention, and 4.) serving as an educational portal for consumers and businesses alike.

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